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Arizona Corporation Commission

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AZ CORP COMMISSION
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Attorneys for Respondents
RALPH AND LESLIE SHAUL

DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

In the matter of

DOCKET NO. S-03507A-02-0000

RALPH SHAUL and LESLIE SHAUL, husband
and wife
Post Office Box 9760
Phoenix, Arizona 85068

ANSWER

Respondents.

For their answer to the Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, For Restitution, For Administrative Penalties, and For Other Affirmative Action, respondents RALPH SHAUL ("Shaul") and LESLIE SHAUL (collectively "Respondents") admit, deny, and allege as follows:

1. Respondents admit the allegations in paragraph 2.
2. Respondents deny the allegations in paragraphs 1, 13, 14, 20, 21, 22, 23, 24, 25, 26.
3. Respondents are without sufficient knowledge or information concerning the truth of the following allegations and, therefore, deny the same: 5, 6, 7, 8, 9, 10, 11, 17, 18,

1 19.

2 4. With respect to paragraph 3, Respondents specifically admit that Ralph and
3 Leslie Shaul were married during the time period relevant to the allegations contained in the
4 Notice, but deny the remaining allegations.

5 5. With respect to paragraph 4, there is no allegation contained therein and,
6 therefore, no answer is required.

7 6. With respect to paragraph 12, Respondents specifically admit that Shaul
8 entered into certain agreements involving Alpha pay telephones and that he sold business
9 opportunities in Alpha pay telephones to certain individuals who elected to the Level 4
10 option. Respondents deny the remaining allegations.

11 7. With respect to paragraph 15, Respondents specifically admit that Shaul
12 received commissions, but deny the remaining allegations.

13 8. With respect to the paragraph 16, Respondents specifically admit that Shaul
14 sold approximately 131 telephones to at least 29 individuals and/or entities, including
15 himself, for a total sale of approximately \$655,000. Respondents further specifically admit
16 that Shaul earned \$98,760 in gross commissions; however, of that amount, Financial
17 Security Group was paid \$16,400 in referral fees, thereby reducing Shaul's net commissions
18 to \$82,360.

19 9. Each and every allegation not specifically admitted to is denied.

20 **AFFIRMATIVE DEFENSES**

21 1. The Arizona Corporation Commission (the "ACC") has failed to state a claim for
22 which relief can be granted.

23 2. The ACC does not have jurisdiction over Respondents, as Respondents did not
24 offer or sell securities.

25 3. The ACC does not have jurisdiction over Leslie Shaul, who is named to determine
26 the liability of Respondents' community property.

27 4. The alleged damages, if any, resulted from intervening and superseding causes
28 beyond Respondents' control.

1 5. The alleged damages, if any, are mitigated or satisfied by other recoveries.

2 6. Respondents allege that a person or entity not a party to this action was wholly or
3 partially at fault in causing the injuries and/or damages for which the ACC seeks recovery.

4 7. If Respondents are determined to be liable for the allegations contained in the
5 Notice, Respondents are entitled to contribution and/or indemnification from other unnamed
6 respondents.

7 8. Respondents reserve the right to amend their Answer at a later time to assert any
8 matter constituting an avoidance or affirmative defense including without limitation those
9 matters set forth in Rule 8(c), Ariz.R.Civ.P., as discovery show to be applicable.

10 WHEREFORE respondents Ralph Shaul and Leslie Shaul pray that the Notice against
11 them be dismissed and that findings be entered in their favor on each and every claim
12 asserted in the Notice.

13 Dated this 07 day of March, 2003.

KUTAK ROCK LLP

By Blaser

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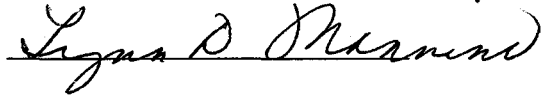
Attorneys for Respondents

21 Original and 13 copies of the foregoing
22 hand-delivered on this 10th day of March, 2003
to:

23 Arizona Corporation Commission
24 Docket Control Center
25 1200 W. Washington
Phoenix, AZ 85007-2996

1 One Copy of the foregoing mailed on this 10th day
2 of March, 2003 to:

3 Kathleen Coughenour DeLaRosa, Esq.
4 Arizona Corporation Commission
5 Securities Division
6 1300 W. Washington, 3rd Floor
7 Phoenix, AZ 85007

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